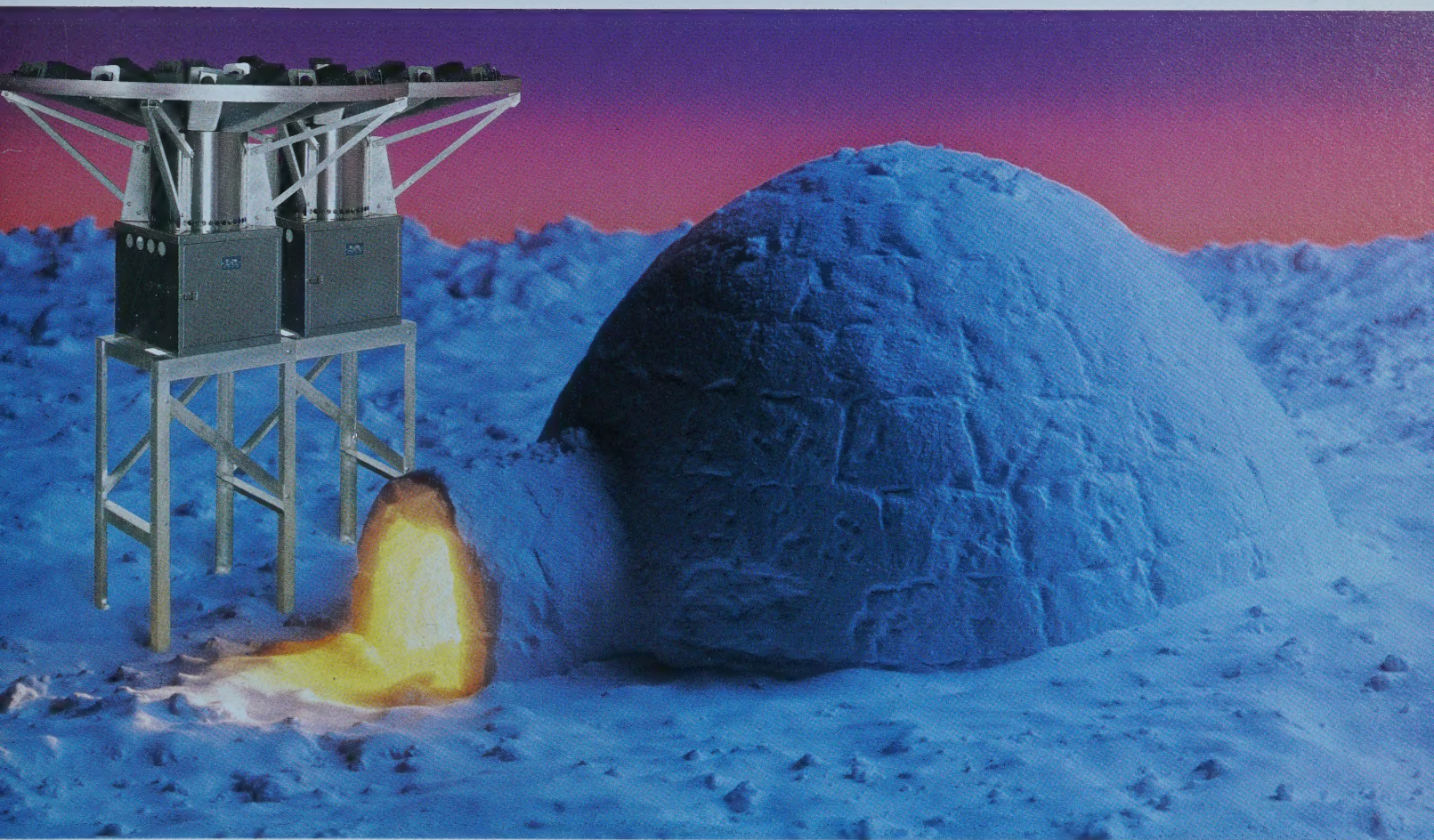


AR60

Winspear Business Reference Room  
University of Alberta  
1-18 Business Building  
Edmonton, Alberta T6G 2R6

1 9 9 6



A N N U A L   R E P O R T



# CORPORATE P R O F I L E

Global Thermoelectric Inc. is an Alberta based industrial company engaged in developing, manufacturing and distributing thermoelectric based products. Thermoelectrics involves the conversion of heat energy to DC electric power.

Global is the leading supplier to the oil and gas industry of remote DC power generators which are used in well and pipeline cathodic protection systems and remote well monitoring and control systems. Remote DC power generators are also supplied to the telecommunications industry.

Originally incorporated as Global Thermoelectric Power

Systems Ltd. on March 10, 1975, the Corporation changed its name to Global Thermoelectric Inc. on April 8, 1991. Global became a public company listed on the Alberta Stock Exchange on August 3, 1994.

The Preferred Shares are traded under the stock symbol GLE.PR and the Warrants under the stock symbol GLE.WT.

**MISSION STATEMENT:** To be the world's leading supplier of devices for reliably converting fuel energy directly into electrical power or heat. We provide our customers with innovative and exceptional quality solutions, so that our Company, Shareholders and Employees will prosper.



*Bassano Manufacturing Plant Staff*

## ANNUAL MEETING

The Annual General Meeting of the Shareholders of the Corporation will be held at the Calgary Chamber of Commerce, 517 Centre Street South, Calgary, Alberta on Wednesday, August 14, 1996 at 3:00 p.m.

# LETTER

## TO SHAREHOLDERS

Global successfully overcame several challenges during the past year. The decline in natural gas prices resulted in capital spending program cuts by our customers causing a slow start in Fiscal '96 that grew modestly in each quarter of the year. Global successfully implemented corrective cost control measures resulting in improved operating results for both the third and fourth quarters of Fiscal '96. The Company decided to increase its provision for product warranty claims. The following are some of the highlights of Fiscal '96:

- Overall sales revenues of \$5.85 million were the third highest in the Company's history. Generator sales at \$5.83 million were the second highest in the Company's history.
- Production enhancements and facility improvements that started in Fiscal '95 were completed in the first half of Fiscal '96.
- In-process failures of power units have been nearly eliminated resulting in substantial savings and improved product quality.
- Marketing efforts have been increased since the start of the year opening a number of new international markets and strengthening existing markets.
- Research and development efforts were increased resulting in the introduction of a new 15 watt generator and other ancillary devices.
- Operational profits in the fourth quarter were offset by an increase in product warranty provision resulting in a loss in the quarter.

**1 SALES:** Generator sales in Fiscal '96 were the second highest in Global's history, but lower than anticipated. The low natural gas prices in North America during the first three quarters of the year have rebounded due to the long cold winter. The significant depletion in gas reserves in both Canada and the U.S. should encourage the exploration and development of gas fields in the near future. The Canadian price for natural gas remains lower than the U.S. because of limited take-away capacity in existing pipelines. The recent announcement of pipeline projects that will resolve this imbalance is good news for our customers in Canada.

In addition to improving market conditions, Global has also expanded its sales team to enable the more focused pursuit of identified market segments – particularly in international markets. The potential for growth in international markets is quite strong and will be pursued aggressively over the next two years.

We believe that the improved market indicators and expanded sales team point to stronger sales in Fiscal '97.

**2 COST OF GOODS SOLD:** The cost of goods sold as a percentage of sales revenue increased during the year due to rising material costs and higher plant overhead during the first half of the year. This increase was offset somewhat by improvements in direct labour costs. Over the past three years, Global has focused on improving productive capacity by increasing the effectiveness of our people. Our strategy of continuous improvement through teamwork is paying off as direct labour as a % of sales continues to improve.

Aggressive reductions in overhead costs made during the latter half of the year and a focus on keeping these costs in line with sales will assist in the future. Global's Production staff will be applying value engineering principles to existing product designs to effect cost reductions while maintaining the high quality standards of all Global products.

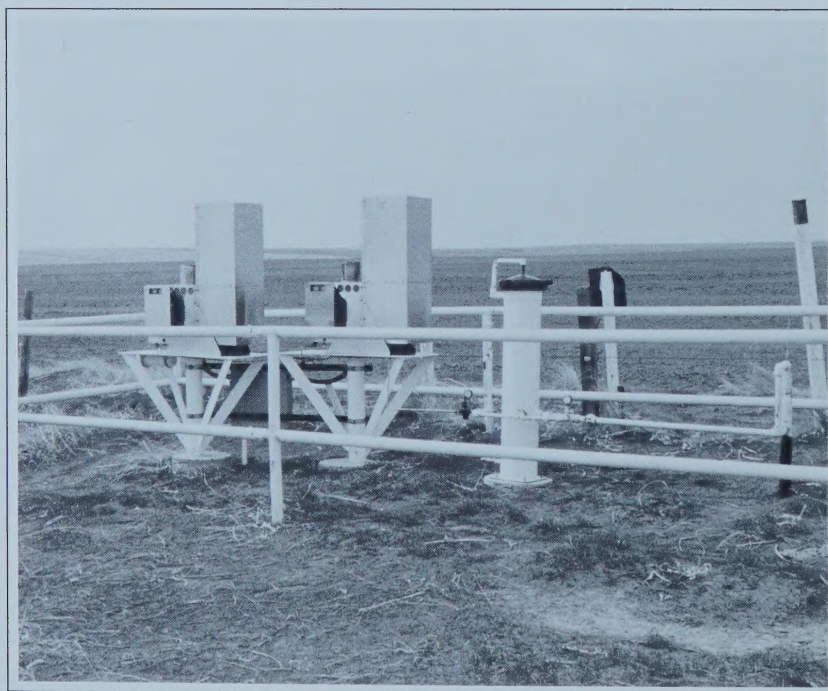
**3 FACILITY IMPROVEMENTS:** The relocation of the Calgary facility which accommodates administrative, sales, customer service, and research and development personnel was completed in July 1995. In addition to providing improved working conditions, this move has allowed for the consolidation of our development engineering and test team. This consolidation, combined with the relocation of the environmental test chambers to the Calgary facility, will enable faster and more cost effective development of products in the future.

**4 QUALITY ASSURANCE:** Global has a registered ISO 9002 quality assurance program. This internationally recognized program is essential to our growing overseas business. An integral part of the quality program is the increased amount of in-process and final system testing that resulted in higher detection rates of potential flaws that may have led to premature failures in the field. To address problems arising from this increased inspection, Global added senior scientific expertise to its in-house staff to enhance its ability to discover and correct materials problems. As a result of investigations into product and

process failures, procedural modifications have been implemented which have resulted in the near elimination of in-process failures. The net effect has been to reduce defect rates, and to lower scrap and rework costs. We believe the improvements in quality and increase in warranty provision will more than cover the costs of replacement claims under our 5 year warranty program. Higher customer satisfaction is also evident. This program is an integral part of Global's continuous improvement strategy.

**5 RESEARCH AND DEVELOPMENT:** In Fiscal '96 Global completed the development of a new product, the "5015", a low cost 15 watt generator whose target market is wellhead automation for natural gas producers in North America. Other development effort was carried out to provide higher voltage output, to address custom requirements of our customers, and to lower costs.

With a reorganized research and development team, we are now focused on making more aggressive advancements in new products. We are in the early stages of some exciting projects and a number of initiatives that will be announced later in Fiscal '97.



*400 Watts for Cathodic Protection in Argentina*

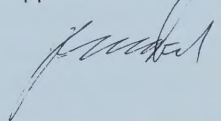
**6 STRATEGY:** The Global team managed the impact of reduced sales in Fiscal '96, taking strong measures to control operating costs. Continued focus in this area while aggressively developing new products and markets will enable Global to continue its plans for dynamic growth. Although the losses incurred this year will result in less cash available to fund these plans, Global feels that they are achievable, but may require more time to implement. The four main strategies to develop these future growth opportunities are: expand existing markets with existing products; expand into new markets; develop new products for both new and existing markets; strategic acquisitions and alliances.

**7 OUTLOOK:** We anticipate that the increased natural gas prices in Fiscal '97 will stimulate drilling activity and pipeline construction in North America resulting in increased demand for remote power. Most analysts expect that gas demand will continue to increase and that gas oriented exploration and development will remain strong in the medium and long term. Wellhead automation for reduced costs and improved data gathering capability is a growing market for Global's generator product line. Global has intensified efforts to aggressively pursue international

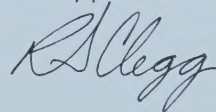
contracts in order to even out fluctuations in the North American demand caused by varying natural gas prices.

The Heater Modernization Program (HMP) production contract with the U.S. Army has progressed into the final stage prior to award. Delays in the overall program have shifted the contract award into the first quarter of Fiscal '97. Revenues from a successful award will have a significant impact on Global's growth objectives. In addition, the development of commercial products using Global's new heater technology can begin once the contract has been awarded.

The dedication and support of our employees has been paramount to achieving the downsizing made necessary by reduced sales in Fiscal '96. They continue to meet every challenge that management and our customers have presented to them. Global's strength is exceeding customer expectations. We will continue to exploit this strength as we develop new markets and pursue the array of exciting opportunities for which we are currently positioned.



Jim McBride  
Chairman



Rob Clegg  
President



*Executive Team*

# MANAGEMENT'S

## DISCUSSION AND ANALYSIS

### OF FINANCIAL RESULTS

#### FACTORS AFFECTING OPERATING RESULTS

The operating results for Fiscal '96 were largely affected by weak natural gas prices in North America resulting in significant slowdowns in the key Canadian and U.S. markets. In addition, the rapid shutdown of these segments in the last quarter of Fiscal '95 resulted in a number of customers carrying large inventories of generators into Fiscal '96. Although slowdowns in the North American markets were projected, the magnitude was far beyond that envisaged.

#### RESULTS OF OPERATIONS

Revenues were \$5,853,843 as compared to revenues of \$11,266,453 in Fiscal '95. The decrease in revenues was largely due to the collapse in the North American natural gas market while anticipated diversification into heater markets did not take place in '96 as projected.

Cost of Sales in Fiscal '96 was \$4,345,344 (74.2% of gross revenue) compared to \$7,757,359 (68.9%) in Fiscal '95.

The increased Cost of Sales and reduced Gross Profit were caused by:

- high plant overheads incurred prior to downsizing the production plant
- loss of production efficiencies arising from less than full utilization of plant capacity
- lack of overhead contributions from projected heater business
- increase in warranty accrual at year end from \$25,400 to \$172,000 to ensure adequate coverage for product in field

Marketing expenses were increased during the year in order to more aggressively pursue opportunities in North America and overseas. The expansion of the sales teams in Canada, the U.S., and overseas have strengthened the Company's position to take advantage of future market opportunities.

The net loss for Fiscal '96 was \$814,933 (loss of 11 cents per share) compared to earnings of \$1,115,732 in Fiscal '95 (12 cents per share).

Despite the losses incurred, changes in non-cash operating working capital (primarily inventory reduction) resulted in positive cash flow generation from operations of \$404,727. Investment of funds into capital equipment and an aggressive product development program resulted in an overall reduction of \$684,912 in the Company's cash position.

#### LIQUIDITY AND CAPITAL RESOURCES

Although the Company's cash position weakened during the year, the current ratio (current assets/current liabilities) at year end was 2.08 – well over industry standards.

The Company also maintained its low debt profile with a debt/equity ratio at year end of 0.53.

The Company has an operating line of credit of \$1,000,000 which was drawn down by \$296,744 at year end.

# AUDITORS'

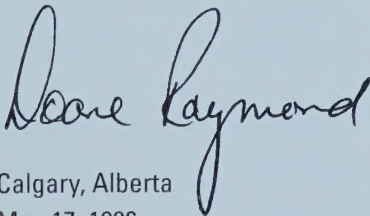
## R E P O R T

### **To the Shareholders of Global Thermoelectric Inc.**

We have audited the balance sheets of Global Thermoelectric Inc. as at March 31, 1996 and 1995 and the statements of loss and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 1996 and 1995 and the results of its operations and changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



Calgary, Alberta  
May 17, 1996

Chartered Accountants

## Statements of Loss and Deficit

Year Ended March 31	1996	1995
Sales	\$ 5,853,843	\$11,266,453
Cost of sales	4,345,344	7,757,359
Gross profit	1,508,499	3,509,094
Expenses		
Marketing	639,082	495,433
Administration	976,429	1,200,587
Research	228,068	147,208
Interest on long-term debt	61,176	75,228
	1,904,755	1,918,456
(Loss) earnings before undernoted	(396,256)	1,590,638
Depreciation	212,984	163,409
Amortization of deferred development costs	205,809	232,076
(Gain) loss on sale of fixed assets	(116)	79,421
	418,677	474,906
(Loss) earnings before income taxes	(814,933)	1,115,732
Income taxes (Note 10)	—	—
Net (loss) earnings	\$ (814,933)	\$ 1,115,732
Basic (loss) earnings per common share	\$(0.11)	\$0.12
Fully diluted (loss) earnings per common share	\$(0.11)	\$0.09
Deficit, beginning of year		
As previously stated	\$(1,351,710)	\$ (2,397,709)
Adjustment of prior years' investment tax credits (Note 10)	(137,242)	(137,242)
As restated	(1,488,952)	(2,534,951)
Net (loss) earnings	(814,933)	1,115,732
Dividends - preferred shares	(193,468)	(69,733)
Deficit, end of year	\$(2,497,353)	\$ (1,488,952)

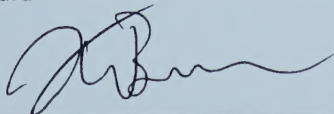
See accompanying notes to the financial statements.

# Balance Sheet

March 31	1996	1995
<b>Assets</b>		
Current		
Cash (Note 3)	\$ —	\$ 388,168
Receivables	1,324,848	1,738,421
Investment tax credits recoverable	233,262	339,033
Inventories	1,678,667	2,417,776
Prepays	53,000	59,735
	3,289,777	4,943,133
Property and equipment (Note 4)	1,559,248	1,289,108
Deferred product development costs (Note 5)	836,808	514,689
	\$5,685,833	\$6,746,930
<b>Liabilities</b>		
Current		
Bank indebtedness (Note 3)	\$ 296,744	\$ —
Payables and accruals	959,025	1,439,412
Warranty accrual	172,000	122,467
Deferred revenue	—	33,350
Current portion of long-term debt, debentures and obligations under capital lease	154,383	149,396
	1,582,152	1,744,625
Long-term debt (Note 6)	22,208	88,880
Debentures (Note 7)	146,178	146,178
Obligations under capital lease (Note 8)	213,871	37,422
	1,964,409	2,017,105
<b>Shareholders' Equity</b>		
Capital stock (Note 9)	5,493,778	5,493,778
Contributed surplus (Note 9)	724,999	724,999
Deficit	(2,497,353)	(1,488,952)
	3,721,424	4,729,825
	\$5,685,833	\$6,746,930

Contingencies and commitments (Notes 12 and 13)

On behalf of the Board



Kerry Brown

Director



Glynn Davies

Director

See accompanying notes to the financial statements.

## Statement of Changes in Financial Position

Year Ended March 31	1996	1995
Cash derived from (applied to)		
<b>Operating</b>		
Net (loss) earnings	\$ (814,933)	\$ 1,115,732
Depreciation and amortization	418,793	395,485
(Gain) loss on disposal of property and equipment	(116)	79,421
	(396,256)	1,590,638
Change in non-cash operating working capital	800,983	(1,719,276)
	404,727	(128,638)
<b>Financing</b>		
New long-term debt	305,594	200,000
Repayment of long-term debt	(190,829)	(668,555)
Issue of shares	—	1,972,307
Share issue costs	—	(395,753)
Redemption of share	—	(1)
Dividends paid	(193,468)	(69,733)
	(78,703)	1,038,265
<b>Investing</b>		
Purchase of equipment	(484,308)	(611,929)
Proceeds on sale of property and equipment	1,300	91,782
Deferred product development costs net of investment tax credits and write-offs	(527,928)	(179,296)
	(1,010,936)	(699,443)
(Decrease) increase in cash	(684,912)	210,184
(Bank indebtedness) cash,		
Beginning of year	388,168	177,984
End of year (Note 3)	\$ (296,744)	\$ 388,168

See accompanying notes to the financial statements.

# Notes to the Financial Statements

March 31, 1996

## 1. Nature of operations

The Company manufactures and distributes thermoelectric power generators to customers both in Canada and internationally. It also conducts research and development on heaters and other thermoelectric powered devices.

## 2. Summary of significant accounting policies

### Inventories

Inventories of finished goods and work in process are valued at the lower of cost and net realizable value. Raw materials and supplies are valued at the lower of cost and replacement cost. Cost includes material, labour and manufacturing overhead. Cost is determined on a first-in, first-out basis.

### Property and equipment

Property and equipment are recorded at cost. Depreciation is applied to write-off the cost less estimated salvage value of property and equipment over their estimated lives on a straight-line basis as follows:

Buildings	5%
Automotive equipment	33 1/3%
Furniture and fixtures	20 - 33 1/3%
Machinery and equipment	10 - 20%
Computer equipment	20 - 33 1/3%

### Research and development

Research costs are expensed as incurred. Development costs are expensed unless they meet specific criteria related to technical, market and financial feasibility, in which case they are deferred and amortized on a straight-line basis over four years commencing with the first year of production of the related products.

### Foreign currency

The Company uses the current rate method for the translation of foreign currency. Under this method, assets and liabilities are translated at the exchange rate prevailing at the balance sheet date. Revenues and expenses are translated at the rate of exchange prevailing at the transaction date. Translation gains or losses are included in earnings.

### Investment tax credits

Investment tax credits are accounted for using the cost reduction method, under which investment tax credits are deducted from the cost of the related property and equipment or expenses. Depreciation and amortization are calculated on the net amount of the related property and equipment.

### Earnings per share

The calculation of basic earnings per share is based on the weighted average number of shares outstanding during the period. Fully diluted earnings per share reflects the dilutive effect of the conversion of the preferred shares, convertible debentures and the exercise of warrants and options outstanding at March 31, 1995. The number of shares for the fully diluted earnings per share calculation was 9,452,192 (1995 - 12,880,438).

## 3. Cash (bank indebtedness)

	1996	1995
Cash	\$ 30,604	\$ 514,542
Operating Line of Credit	(327,348)	(126,274)
	\$ (296,744)	\$ 388,168

The Company has secured an Operating Line of Credit of \$1,000,000. As security, the Company has pledged accounts receivable, inventory and a general security agreement over all assets.

<b>4. Property and equipment</b>			<b>1996</b>	<b>1995</b>
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Land	\$ 16,694	\$ —	\$ 16,694	\$ 16,694
Buildings	1,241,342	882,086	359,256	415,723
Machinery and equipment	2,791,225	2,007,190	784,035	697,299
Equipment under capital lease	501,880	102,617	399,263	159,392
	\$ 4,551,141	\$ 2,991,893	\$ 1,559,248	\$ 1,289,108

<b>5. Deferred product development costs</b>	<b>1996</b>	<b>1995</b>
Deferred product development costs, beginning of year	\$ 514,689	\$ 567,469
Costs incurred during the year	607,248	220,828
Investment tax credits earned	(79,320)	(41,532)
Amortization	(205,809)	(232,076)
	322,119	(52,780)
Deferred product development costs, end of year	\$ 836,808	\$ 514,689

Deferred product development costs represent costs incurred to date and do not necessarily reflect present or future value.

<b>6. Long-term debt</b>	<b>1996</b>	<b>1995</b>
Bank of Nova Scotia, loan secured by a collateral mortgage over land and buildings, repayable in monthly principal payments of \$5,556 and interest at bank prime rate plus 2%, maturing in July, 1997.	\$ 88,880	\$ 155,552
Western Economic Diversification, unsecured, interest at 8.36%, repayable in monthly instalments of principal and interest of \$1,500 up to August, 1994 and at \$3,000 thereafter until maturity in September, 1995.	—	23,895
	88,880	179,447
Less current portion included in long-term liabilities	(66,672)	(90,567)
	\$ 22,208	\$ 88,880

Principal payments due in the next two years:

1997	\$ 66,672
1998	\$ 22,208

<b>7. Debentures</b>	<b>1996</b>	<b>1995</b>
Debenture payable	\$ 146,178	\$ 146,178

The amounts due to Foundation Equity Corporation are comprised of two debentures in the amounts of \$70,000 and \$76,178 which bear interest at a rate of 12% per annum. The debentures are repayable by February 1997 or convertible at the option of the holder into common shares at a rate of one share per \$0.30 and \$1 of debenture converted respectively if exercised prior to February, 1997.

## 7. Debentures (Continued)

The Company will negotiate the timing of the payment and/or conversion of the debentures prior to their maturity date in February, 1997. Until an agreement is made, these liabilities will continue to be reflected as long-term.

The debentures are secured by a charge against the building, machinery and equipment, subordinate to the Bank of Nova Scotia loan per Note 6.

8. Obligations under capital lease	1996	1995
Capital leases, varying effective interest rates from 10.2% to 13.69%, each secured by specific equipment, repayable in aggregate monthly instalments of \$10,610, including interest, due at varying dates to April, 2001.	\$ 301,582	\$ 96,251
Less current portion included in current liabilities	87,711	58,829
	<b>\$ 213,871</b>	<b>\$ 37,422</b>

Future minimum lease payments under long-term capital leases are as follows:

1997	\$ 116,499
1998	108,767
1999	99,124
2000	29,643
2001	7,450
	361,483
Amount representing interest	59,901
	<b>\$ 301,582</b>

## 9. Capital stock

### Authorized:

Unlimited common shares

Unlimited preferred shares, issuable in series

In 1995, the Company increased its authorized common shares from 10,000,000 to an unlimited number and authorized an unlimited number of preferred shares, cancelling for reuse the previously authorized Class G and H preferred shares.

	1996	1995
<b>Issued:</b>		
9,452,192 common shares	\$ 3,917,224	\$ 3,917,224
666,500 Series I non-voting redeemable convertible preferred shares with a 10% cumulative dividend payable in U.S. dollars semi-annually	1,576,554	1,576,554
	<b>\$ 5,493,778</b>	<b>\$ 5,493,778</b>

In 1995, the Company redeemed the 1 outstanding Class G preferred share for cash consideration of \$1 with the difference between the stated value of the share and the redemption amount being credited to contributed surplus.

## 9. Capital stock (Continued)

In 1995, the Company issued 666,500 Series I preferred shares during the year for cash consideration of \$1,972,307 (\$1,439,640 U.S. dollars) less share issue costs associated with the issue of \$395,753. The Series I preferred shares are redeemable after March 31, 1997 at their issue price and prior to that date subject to certain conditions. In addition, these preferred shares are convertible at the rate of 4 common shares for each preferred share outstanding.

### Warrants:

Pursuant to the Series I preferred share issue, 1,333,000 share purchase warrants were issued. Each warrant entitles the holder to acquire 1 common share at \$0.60 per share, expiring August 5, 1996.

### Options:

Under a share option plan, 10% of the outstanding common shares of the Company are from time to time reserved for issuance to eligible participants. As at March 31, 1996 options for 143,000 common shares have been granted to the President at a price of \$0.07 per share exercisable until December 31, 1996 and 350,000 common share options have been granted to directors and key employees exercisable at \$0.60 per share, expiring August 5, 1997.

## 10. Income taxes

Income tax expense differs from the amount which would be obtained by applying the basic combined Federal and Provincial tax rate to the respective years' earnings before income taxes. These differences result from the following items:

	1996	1995
Expected income tax expense at 44% (1995 - 44%)	\$ (361,341)	\$ 494,716
Increase (decrease) resulting from:		
Excess of depreciation over capital cost allowance	(28,658)	10,562
Amortization of deferred development costs	91,256	102,902
Other	22,011	37,386
Scientific research expenditures claimed	—	(592,720)
Investment tax credits applied against expenses for accounting purposes	(12,268)	(37,575)
Manufacturing and processing deduction	—	(2,573)
Unrecorded loss carryforward	289,000	—
Reduction of income taxes by utilization of losses carried forward	—	(12,698)
	\$ —	\$ —

The Company has non-capital losses to carryforward to reduce future taxable income of \$652,000 expiring in 2003. The benefits to be derived from these losses are not reflected in these financial statements.

In addition, the Company has research and development expenditures of \$1,745,000 which are deductible from future years' taxable income.

## 11. Adjustment of prior years' investment tax credits

As a result of an audit by Revenue Canada, Taxation of the scientific research and experimental development expenditures applicable for the years 1993 and 1994, the balance of retained earnings as well as investment tax credits receivable at March 31, 1996 and 1995 have been adjusted by \$137,242 representing investment tax credits claimed on disallowed expenditures.

## 12. Contingencies

The Company has arranged for the issue of Letters of Credit and Guarantees to a maximum of \$400,000 U.S. At March 31, 1996, the Company had issued Letters of Credit and Guarantees in the amount of \$115,784 (1995 - \$178,393 U.S.). Security for the letters is covered under the Operating Line of Credit per Note 3.

An action has been commenced against the Company by its former President. The claims advanced in this action include wrongful termination of employment, a claim for director's fees and car allowances, and compensation in respect of guarantees and a demand loan. The total claim approximates \$374,000. The Company has filed a counterclaim against this individual.

In addition, an action was commenced against the Company in May, 1992 based on wrongful termination of employment, in which damages of \$90,000 are claimed. The Company has filed a Statement of Defence and a counterclaim against this individual.

The Company is not yet able to predict their potential outcomes, but it believes that its potential exposure is substantially less than the amounts claimed.

Any costs arising from the settlement of the claims will be recorded when determinable and will be recorded as an expense in the year that the amount is determinable.

## 13. Commitments

During the year, the Company entered into a lease for new office premises expiring in December 2001. The annual rent of premises consists of minimum rent plus taxes, maintenance, heat and certain other expenses. Future minimum lease payments for the fiscal years ending March 31 are as follows:

1997	\$ 60,960
1998	\$ 66,040
1999	\$ 68,580
2000	\$ 71,120
2001	\$ 72,390
2002	\$ 54,293

## 14. Segmented information

The Company operates in one business segment as described in Note 1. Export sales for the year ended March 31, 1996 were \$3,447,809 (1995 - \$5,969,727).

## 15. Subsequent event

Subsequent to year end, the Company proposes to undertake an offering to common and preferred shareholders of rights to purchase an additional 2,000,000 common shares at \$0.28 per share for gross proceeds of \$560,000 less expenses to the underwriter of \$15,000, recovery of expenses to a maximum of \$5,000 and a solicitation fee to a maximum of \$0.02 per share. In addition, the underwriter will receive 200,000 warrants exercisable at \$0.28 expiring eighteen months from the closing of the rights issue.

# COMPARISON

## OF FISCAL 1996

### ACTUAL TO FORECAST

<b>BALANCE SHEET</b>	<b>Forecast</b>	<b>F96</b>	<b>Variance</b>	<b>Note</b>
<b>Assets</b>	<b>(\$000's)</b>	<b>(\$000's)</b>	<b>(\$000's)</b>	
Current Assets				
Cash	\$4,841	\$0	(\$4,841)	1
Receivables	\$2,161	\$1,325	(\$836)	
ITC Recoverable	\$198	\$233	\$35	
Inventories	\$1,545	\$1,679	\$134	
Prepays	\$67	\$53	(\$14)	
	\$8,812	\$3,290	(\$5,522)	
Property and Equipment	\$1,883	\$1,559	(\$324)	2
Deferred Product Development Costs	\$555	\$837	\$282	3
	\$11,250	\$5,686	(\$5,564)	
<b>Liabilities and Shareholders' Equity</b>				
Current Liabilities				
Bank Indebtedness		\$297	\$297	1
Payables and accruals	\$2,378	\$959	(\$1,419)	4
Warranty Accrual	\$225	\$172	(\$53)	
Income Taxes Payable	\$265	\$0	(\$265)	
Current portion of long-term debt, debentures, and obligations under capital lease	\$242	\$154	(\$88)	
	\$3,110	\$1,582	(\$1,528)	
Long-Term debt	\$22	\$22	\$0	
Debentures	\$0	\$146	\$146	5
Obligations under capital lease	\$13	\$214	\$201	6
	\$3,145	\$1,964	(\$1,181)	
Shareholders' Equity				
Capital Stock	\$5,657	\$5,494	(\$163)	
Contributed Surplus	\$725	\$725	\$0	
Retained Earnings (deficit)	\$1,723	(\$2,497)	(\$4,220)	7
	\$8,105	\$3,721	(\$4,384)	
	\$11,250	\$5,686	(\$5,564)	
<b>STATEMENT OF OPERATIONS</b>	<b>Forecast</b>	<b>F96</b>	<b>Variance</b>	<b>Note</b>
Sales	\$17,449	\$5,854	(\$11,595)	8
Cost of Sales	\$11,046	\$4,345	(\$6,701)	
Gross Profit	\$6,403	\$1,508	(\$4,895)	
Expenses				
Marketing	\$696	\$639	(\$57)	
Administration	\$1,050	\$976	(\$74)	
Research	\$100	\$228	\$128	
Interest on long-term debt	\$61	\$61	\$0	
	\$1,907	\$1,905	(\$2)	
Earnings before depreciation and amortization	\$4,496	(\$396)	(\$4,892)	
Depreciation & Amortization	\$432	\$418	(\$14)	
(Gain)/Loss on Sale of Fixed Assets	\$0	\$0	\$0	
Earnings before income taxes	\$4,064	(\$815)	(\$4,879)	9
Income Taxes	\$1,299	\$0	(\$1,299)	
Net Earnings	\$2,765	(\$815)	(\$3,580)	
Basic Earnings per common share	\$0.29	(\$0.11)	(\$0.40)	
Fully diluted earnings per common share	\$0.21	(\$0.11)	(\$0.32)	

# NOTES TO COMPARISON

## OF FISCAL 1996 ACTUAL TO FORECAST

### 1. Cash

Differences in actual net earnings for Fiscal '95 and Fiscal '96 vs Forecast projections resulted in a decrease in cash position and the drawing down of bank operating line.

### 2. Property and Equipment

Capital investment for heater production postponed until HMP contract award.

### 3. Deferred Product Development Costs

Deferred product development activity increased to position Company for entering new markets.

### 4. Payables and Accruals

Lower production procurement and capital acquisition resulted in lower payables and accruals at year end.

### 5. Debentures

The Company will negotiate the timing of the payment and/or conversion of the debentures prior to their maturity in February, 1997.

### 6. Obligations under Capital Lease

An increased portion of capital equipment was financed under capital leases to relieve cash flow.

### 7. Retained Earnings

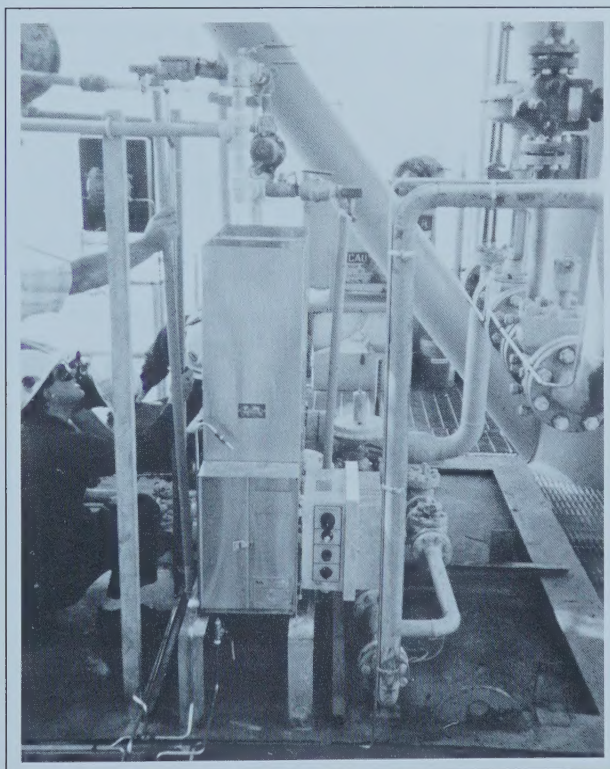
Retained earnings were significantly less due to shortfalls in net earnings in Fiscal '95 and Fiscal '96.

### 8. Sales

Sales of generators were \$5.83 M vs. Forecast projection of \$9.51 M. The Forecast projection of \$7.94 M in heater sales was not realized as the postponement of the award of the HMP contract resulted in delays to both HMP and commercial heater revenues.

### 9. Earnings before Income Taxes

Shortfall in revenues led to variance in earnings.



*100 Watt Explosion Proof Generator  
in Offshore Application*

# CORPORATE I N F O R M A T I O N

## **Global Thermoelectric Inc. Corporate Headquarters**

Bay 9, 3700 - 78th Avenue S.E.  
Calgary, Alberta T2C 2L8 Canada  
Tel: (403) 236-5556 Fax: (403) 236-5575  
email: tegsales@globalte.com  
Home page: <http://www.Globalte.com>

### ***DIRECTORS***

Jim McBride  
Chairman and Director  
*President, Prairie Metal  
Industries Ltd.*

Kerry W. Brown <sup>(1)</sup>  
Secretary and Director  
*President, Foundation Equity Corporation*

Robert Snyder  
Director  
*Former Senior Vice-President  
Nova Gas Transmission Ltd.*

Keith Wiggins <sup>(1)</sup>  
Director  
*Former Senior Financial  
Officer, Government of Alberta*

John W. Chomiak  
Director  
*President, Hemisphere Engineering Inc.*

Glynn G. Davies <sup>(1)</sup>  
Director  
*Independent Businessman*

<sup>(1)</sup> Audit Committee Members

### ***MANAGEMENT***

Robert S. Clegg  
*President & CEO*

Jim R. Lumsden  
*Vice-President Research*

Bernie LeSage  
*General Manager  
Generator Division*

Gordon McBride  
*Manager  
Thermoelectric Engineering*

### ***MANAGEMENT (Cont'd)***

Daryl K. Marling  
*Heater Engineering Manager*

Larry I. Kyle  
*Controller*

John Howard  
*Quality Assurance Manager*

Eric Potter  
*Canadian and International Sales Manager*

Dan Thornton  
*U.S. and International Sales Manager*

George Longmuir  
*Plant Manager – Bassano*

John Hutchinson  
*Customer Service Manager*

### ***BANKERS***

The Bank of Nova Scotia  
*Calgary, Alberta*

### ***AUDITORS***

Doane Raymond  
*Calgary, Alberta*

### ***SOLICITORS***

Blain & Company  
*Calgary, Alberta*

Howard Mackie  
*Calgary, Alberta*

### ***TRANSFER AGENT AND REGISTRAR***

Montreal Trust Company of Canada  
*Calgary, Alberta*

### ***STOCK LISTING***

The Alberta Stock Exchange  
Trading Symbol: **GLE.PR, GLE.WT**



*Calgary Corporate Headquarters Staff*



*Calgary Sales Team*



*Houston Sales Team*

**GLOBAL THERMOELECTRIC INC.**

Bay 9, 3700 - 78th Avenue S.E.  
Calgary, Alberta, Canada  
T2C 2L8

Tel: (403) 236-5556 Fax: (403) 236-5575

email: [tegsales@globalte.com](mailto:tegsales@globalte.com)

Home page: <http://www.Globalte.com>

**U.S. SALES HEADQUARTERS**

P.O. Box 3306

Humble, Texas 77347

Tel: (713) 359-8484 Fax: (713) 359-8485

In the U.S.A. 1-800-848-4113

